REMARKS:

Claims 1-94 are currently pending in the application. Claims 1, 2, 5-7, 11, 15, 16, 19-21, 25, 29-32, 35-37, 41, 42, 45, 46, 49-51, 55, 56, 63, 64, 67-69, 73, 74, 78, 79, 82-84, 88, 89, and 91 stand rejected under 35 U.S.C. § 103(a) over Patent No. EP 0070967 to Schmidt et al. ("*Schmidt*") in view of U.S. Patent No. 5,754,938 to Herz et al. ("*Herz*") and in further view of Dr. Pattie Maes et al., "AGENTS THAT BUY AND SELL", Communications of the ACM, March 1999, Vol. 42, No. 3 ("*Maes*"). Claims 3, 4, 8-10, 12-14, 17, 18, 22-24, 26-28, 33, 34, 38-40, 43, 44, 47, 48, 52-54, 57-62, 65, 66, 70-72, 75-77, 80, 81, 85-87, 90, and 92-94 stand rejected under 35 U.S.C. § 103(a) over *Schmidt* in view of *Herz* in further view of *Maes* and in further view of U.S. Patent No. 5,970,479 to Shepherd et al. ("*Shepherd*").

Although the Applicants believe claims 1-94 are directed to patentable subject matter without amendment, the Applicants have amended independent claims 1, 15, 29, 45, 63, and 78 to more particularly point out and distinctly claim the Applicants invention. In addition, the Applicants have canceled independent claims 93 and 94, without prejudice and have added new independent claims 95 and 96 to more particularly point out and distinctly claim the Applicants invention. By making these amendments, the Applicants make no admission concerning the merits of the Examiner's rejection, and respectfully deny any statement or averment of the Examiner not specifically addressed. Particularly, the Applicants reserve the right to file additional claims in this Application or through a continuation patent Application of substantially the same scope of originally filed claims 1-94. No new matter has been added.

REJECTION UNDER 35 U.S.C. § 103(a):

Claims 1, 2, 5-7, 11, 15, 16, 19-21, 25, 29-32, 35-37, 41, 42, 45, 46, 49-51, 55, 56, 63, 64, 67-69, 73, 74, 78, 79, 82-84, 88, 89, and 91 stand rejected under 35 U.S.C. § 103(a) over *Schmidt* in view of *Herz* and in further view of *Maes*. Claims 3, 4, 8-10, 12-14, 17, 18, 22-24, 26-28, 33, 34, 38-40, 43, 44, 47, 48, 52-54, 57-62, 65, 66, 70-72, 75-77, 80,

81, 85-87, 90, and 92-94 stand rejected under 35 U.S.C. § 103(a) over *Schmidt* in view of *Herz* in further view of *Maes* and in further view of *Shepherd*.

Although the Applicants believe claims 1-94 are directed to patentable subject matter without amendment, the Applicants have amended independent claims 1, 15, 29, 45, 63, and 78 to more particularly point out and distinctly claim the Applicants invention. In addition, the Applicants have canceled independent claims 93 and 94, without prejudice and have added new independent claims 95 and 96 to more particularly point out and distinctly claim the Applicants invention. By making these amendments, the Applicants do not indicate agreement with or acquiescence to the Examiner's position with respect to the rejections of these claims under 35 U.S.C. § 103(a), as set forth in the Office Action.

The Applicants respectfully submit that *Schmidt*, *Herz*, or *Maes* either individually or in combination, fail to disclose, teach, or suggest each and every element of claims 1, 2, 5-7, 11, 15, 16, 19-21, 25, 29-32, 35-37, 41, 42, 45, 46, 49-51, 55, 56, 63, 64, 67-69, 73, 74, 78, 79, 82-84, 88, 89, and 91. The Applicants further respectfully submit that ***the amendments to independent claims 1, 15, 29, 45, 63, and 78 have rendered moot the Examiner's rejection of claims 1-94 and the Examiner's arguments in support of the rejection of claims 1-94***. The Applicants further submit that amended independent claims 1, 15, 29, 45, 63, and 78 in their current amended form contain unique and novel limitations that are not disclosed, suggested, or even hinted at in *Schmidt*, *Herz*, or *Maes*. Thus, the Applicants respectfully traverse the Examiner's obvious rejection of claims 1-94 under 35 U.S.C. § 103(a) over the proposed combination of *Schmidt*, *Herz*, or *Maes*, either individually or in combination.

The Proposed *Schmidt-Herz-Maes* Combination Fails to Disclose, Teach, or Suggest Various Limitations Recited in Applicants Claims

For example, with respect to amended independent claim 29, this claim recites:

> ***A procurement manager for supply chain activity optimization involving multiple enterprises***, comprising:
> ***a negotiation module*** operable to:
> receive a forecasted demand for at least one item;

automatically and without user input subsequent to receiving the forecasted demand, ***generate one or more proposed flexible trade contracts using the forecasted demand for the item***;

automatically and without user input subsequent to generating the proposed flexible trade contracts, ***communicate each proposed flexible trade contract to a seller computer system to initiate an automatic collaborative negotiation*** over the proposed flexible trade contract with the seller computer system;

automatically and without user input subsequent to communicating the proposed flexible trade contract, as part of the automatic collaborative negotiation, ***receive at least one modification of the proposed flexible trade contract from the seller computer system*** for automatic evaluation and possible acceptance in response to communicating the proposed flexible trade contract;

automatically and without user input subsequent to receiving the modification of the proposed flexible trade contract from the seller computer system, as part of the automatic collaborative negotiation, ***evaluate the modification to determine whether the modification is acceptable***; and

automatically and without user input subsequent to evaluating the modification of the proposed flexible trade contract, as part of the automatic collaborative negotiation, ***accept the modification if the modification is acceptable***;

an execution module operable to execute a flexible trade contract created based on the proposed flexible trade contract as a result of the automatic collaborative negotiation to enable one or more actions to be taken to perform under the executed flexible trade contract; and

a tracking module operable to monitor the terms of the flexible trade contract created based on the proposed flexible trade contract as a result of the automatic collaborative negotiation ***to enable one or more actions to be taken to enforce the executed flexible trade contract***. (Emphasis Added).

Amended independent claims 1, 15, 45, 63, and 78 recite similar limitations. *Schmidt*, *Herz*, and *Maes*, either individually or in combination, fail to disclose each and every limitation of amended independent claims 1, 15, 29, 45, 63, and 78.

The Applicants respectfully submit that *Schmidt* has nothing to do with amended independent claim 29 limitations regarding a "***procurement manager for supply chain activity optimization involving multiple enterprises***" and in particular *Schmidt* has nothing to do with amended independent claim 29 limitations regarding a "***negotiation module***". Rather *Schmidt* discloses a vendor-managed replenishment contract being

manually proposed, studied, and negotiated prior to the initiation of a potential vendor-managed replenishment contract. (Page 30, Lines 19-41). However, the Examiner asserts that the cited portions of *Schmidt* disclose details of the negotiation of the vendor-managed replenishment contract or any negotiation over the purchase order. (27 January 2006 Office Action, Page 6). The Applicants respectfully traverse the Examiner's assertions regarding the subject matter disclosed in *Schmidt*. The Applicants respectfully direct the Examiner's attention to the cited text of *Schmidt* which states:

> It is an object of the present invention to provide a system that will reconcile the demand and supply aspects of a supply chain. (Page 3, Lines 26-27).

The Applicants respectfully submit that the Examiner has misdescribed the reconciliation of *Schmidt*. The above-cited text of *Schmidt* merely describes a process to reconcile demand and supply requirements in a supply chain using the Production-Sales-Inventory. This process in *Schmidt* only allows a single user, including the teaching of user input, to modify a temporary Production-Sales-Inventory and has nothing to do with the original Production-Sales-Inventory, let alone the interaction of a buyer or seller computer. Thus, *Schmidt* cannot provide for a "***procurement manager for supply chain activity optimization involving multiple enterprises***" or a "***negotiation module***", since *Schmidt* does not even provide for any interaction with the evaluation or negotiation of a buyer or seller computer in the first place.

The Applicants further submit that the Office Action acknowledges, and the Applicants agree, that *Schmidt* fails to disclose the emphasized limitations noted above in amended independent claim 29. Specifically the Examiner acknowledges that *Schmidt* fails to disclose the buyer or seller computer "automatically and without user input subsequent to receiving the forecasted demand, ***generate one or more proposed flexible trade contracts using the forecasted demand for the item***; automatically and without user input subsequent to generating the proposed flexible trade contracts, ***communicate each proposed flexible trade contract to a seller computer system to initiate an automatic collaborative negotiation*** over the

proposed flexible trade contract with the seller computer system; automatically and without user input subsequent to communicating the proposed flexible trade contract, as part of the automatic collaborative negotiation, ***receive at least one modification of the proposed flexible trade contract from the seller computer system*** for automatic evaluation and possible acceptance in response to communicating the proposed flexible trade contract; automatically and without user input subsequent to receiving the modification of the proposed flexible trade contract from the seller computer system, as part of the automatic collaborative negotiation, ***evaluate the modification to determine whether the modification is acceptable***; and automatically and without user input subsequent to evaluating the modification of the proposed flexible trade contract, as part of the automatic collaborative negotiation, ***accept the modification if the modification is acceptable***". (27 January 2006 Office Action, Page 6). However, the Examiner asserts that the cited portions of *Herz* disclose the acknowledged shortcomings in *Schmidt*. The Applicants respectfully traverse the Examiner's assertions regarding the subject matter disclosed in *Herz*.

The Applicants respectfully submit that *Herz* has nothing to do with amended independent claim 29 limitations regarding a "automatically and without user input subsequent to receiving the forecasted demand, ***generate one or more proposed flexible trade contracts using the forecasted demand for the item***; automatically and without user input subsequent to generating the proposed flexible trade contracts, ***communicate each proposed flexible trade contract to a seller computer system to initiate an automatic collaborative negotiation*** over the proposed flexible trade contract with the seller computer system; automatically and without user input subsequent to communicating the proposed flexible trade contract, as part of the automatic collaborative negotiation, ***receive at least one modification of the proposed flexible trade contract from the seller computer system*** for automatic evaluation and possible acceptance in response to communicating the proposed flexible trade contract; automatically and without user input subsequent to receiving the modification of the proposed flexible trade contract from the seller computer system, as part of the automatic collaborative negotiation, ***evaluate the modification to determine whether the modification is acceptable***; and automatically and without user input subsequent to evaluating the modification of the

proposed flexible trade contract, as part of the automatic collaborative negotiation, ***accept the modification if the modification is acceptable***". Rather *Herz* discloses a system that monitors stock prices and, when certain stock-performance characteristics are met, automatically places a buy or sell order. (Column 61, Lines 35-39). This approach merely describes a unilateral monitoring activity that is able to notify the user of a predetermined stock price. *Herz* fails to disclose, teach, or suggest that this system that unilaterally monitors stock prices or unilaterally notifies a user is in anyway automatically negotiated, or even bilaterally negotiated, by the buyer or seller computer systems. The Applicants respectfully direct the Examiner's attention to the cited text of *Herz* which states:

> Furthermore, the ***user can set filter parameters*** so that the ***system can monitor stock prices and automatically take certain actions***, such as ***placing buy or sell orders***, or paging the user with a notification, ***when certain stock performance characteristics are met***. Thus, the system can immediately ***notify the user when a selected stock reaches a predetermined price***, without the user having to monitor the stock market activity. (Column 61, Lines 35-42). (Emphasis Added).

The Applicants respectfully submit that the Examiner has mischaracterized the unilateral passive filter parameter of *Herz*. In fact, *Herz* has nothing to do with amended independent claim 29 limitations regarding ***the automatic collaborative negotiation of a supply chain activity optimization involving multiple enterprises at buyer and seller computer systems***. In fact, the above-cited text of *Herz* merely describes a unilateral passive filter mechanism that provides notification to a user. This unilateral notification of Herz, is not related in anyway to a bilateral communication of the interaction between a buyer and seller computer system. In addition, the unilateral notification of *Herz*, does not explicitly or impliedly provide for any type of bilateral communication, to for example, buy stock, sell stock, or page the user, when the stock reaches a static, non negotiated, unilateral predetermined price. Furthermore, ***this unilateral predetermined price of Herz, is not a collaborative, mutual, two-way, or even a mutually negotiated price***. Thus, *Herz*, cannot provide for "automatically and without user input subsequent to receiving the forecasted demand, ***generate one or more proposed flexible trade contracts using the forecasted demand for the item***; automatically and without user

input subsequent to generating the proposed flexible trade contracts, ***communicate each proposed flexible trade contract to a seller computer system to initiate an automatic collaborative negotiation*** over the proposed flexible trade contract with the seller computer system; automatically and without user input subsequent to communicating the proposed flexible trade contract, as part of the automatic collaborative negotiation, ***receive at least one modification of the proposed flexible trade contract from the seller computer system*** for automatic evaluation and possible acceptance in response to communicating the proposed flexible trade contract; automatically and without user input subsequent to receiving the modification of the proposed flexible trade contract from the seller computer system, as part of the automatic collaborative negotiation, ***evaluate the modification to determine whether the modification is acceptable***; and automatically and without user input subsequent to evaluating the modification of the proposed flexible trade contract, as part of the automatic collaborative negotiation, ***accept the modification if the modification is acceptable***".

The Applicants further submit that the Office Action acknowledges, and the Applicants agree, that *Schmidt* and *Herz* fail to disclose the emphasized limitations noted above in amended independent claim 29. (27 January 2006 Office Action, Page 6). The Examiner further asserts that the cited portions of *Maes* disclose the acknowledged shortcomings in *Schmidt* and *Herz*. The Applicants respectfully disagree. The Applicants respectfully traverse the Examiner's assertions regarding the subject matter disclosed in *Maes*.

The Applicants respectfully submit that *Maes* has nothing to do with amended independent claim 29 limitations regarding a "automatically and without user input subsequent to receiving the forecasted demand, ***generate one or more proposed flexible trade contracts using the forecasted demand for the item***; automatically and without user input subsequent to generating the proposed flexible trade contracts, ***communicate each proposed flexible trade contract to a seller computer system to initiate an automatic collaborative negotiation*** over the proposed flexible trade contract with the seller computer system; automatically and without user input subsequent to communicating the proposed flexible trade contract, as part of the automatic collaborative

negotiation, ***receive at least one modification of the proposed flexible trade contract from the seller computer system*** for automatic evaluation and possible acceptance in response to communicating the proposed flexible trade contract; automatically and without user input subsequent to receiving the modification of the proposed flexible trade contract from the seller computer system, as part of the automatic collaborative negotiation, ***evaluate the modification to determine whether the modification is acceptable***; and automatically and without user input subsequent to evaluating the modification of the proposed flexible trade contract, as part of the automatic collaborative negotiation, ***accept the modification if the modification is acceptable***". Rather *Maes* discloses a software agent to automate several of the most time-consuming stages of a buying process. (Page 81). The software agent of *Maes*, merely provides an approach to assist in the buying process. In essence, ***the buying process of Maes is the process associated only with buying, it is a unilateral buying process and does not have anything to do with the interaction between buying or selling computer systems***.

The Applicants respectfully direct the Examiner's attention to the cited text of *Maes* which states:

> Buying agents automatically collect information on vendors and products that may fit the needs of the company [For example, a company that needs to order paper supplies could enlist ***agents to monitor the quantity and usage patterns of paper within the company***, launching buying agents when supplies are low.] Although consumer buying behavior covers many areas, it is important to recognize its limitations. [...S]ome ***beyond the scope of [the] consumer buying behavior model (such as*** [...] ***supply chain management***. (Page 82). (Emphasis Added).

The Applicants respectfully submit that the Examiner has mischaracterized the buying agent of *Maes*. In fact, *Maes* has nothing to do with independent claim 29 limitations regarding a "***procurement manager for supply chain activity optimization involving multiple enterprises***". The above-cited text of *Maes* merely describes a buying agent to automate several of the time-consuming tasks associated with ordering supplies for a company. In fact, ***the consumer buying behavior model in Maes focuses solely on the buying behavior characteristics associated with the collection***

of information. In addition, ***Maes teaches away from the claimed invention by expressly stating that supply chain management is beyond the scope of Maes***. Thus, *Maes*, does not teach, suggest, or even hint at a "***procurement manager for supply chain activity optimization involving multiple enterprises***" or a "***negotiation module*** operable to: receive a forecasted demand for at least one item; automatically and without user input subsequent to receiving the forecasted demand, ***generate one or more proposed flexible trade contracts using the forecasted demand for the item***; automatically and without user input subsequent to generating the proposed flexible trade contracts, ***communicate each proposed flexible trade contract to a seller computer system to initiate an automatic collaborative negotiation*** over the proposed flexible trade contract with the seller computer system; automatically and without user input subsequent to communicating the proposed flexible trade contract, as part of the automatic collaborative negotiation, ***receive at least one modification of the proposed flexible trade contract from the seller computer system*** for automatic evaluation and possible acceptance in response to communicating the proposed flexible trade contract; automatically and without user input subsequent to receiving the modification of the proposed flexible trade contract from the seller computer system, as part of the automatic collaborative negotiation, ***evaluate the modification to determine whether the modification is acceptable***; and automatically and without user input subsequent to evaluating the modification of the proposed flexible trade contract, as part of the automatic collaborative negotiation, ***accept the modification if the modification is acceptable***".

The Applicants respectfully submit that *Schmidt*, *Herz*, and *Maes* have nothing to do with amended independent claim 29 limitations regarding a "***an execution module*** operable to execute a flexible trade contract created based on the proposed flexible trade contract as a result of the automatic collaborative negotiation to enable one or more actions to be taken to perform under the executed flexible trade contract" or "***a tracking module operable to monitor the terms of the flexible trade contract*** created based on the proposed flexible trade contract as a result of the automatic collaborative negotiation ***to enable one or more actions to be taken to enforce the executed flexible trade contract***." Thus, the Applicants respectfully submit that the equations forming the foundation of the Examiner's comparison between *Schmidt*, *Herz*,

and *Maes* and amended independent claim 29 cannot be made. The Applicants further respectfully submit that these distinctions alone are sufficient to patentably distinguish amended independent claim 29 from *Schmidt*, *Herz*, and *Maes*.

The Applicants respectfully submit that the Office Action has failed to properly establish a *prima facie* case of obviousness based on the proposed combination of *Schmidt*, *Herz*, and *Maes*, either individually or in combination. The Office Action has not shown the required teaching, suggestion, or motivation in these references or in knowledge generally available to those of ordinary skill in the art at the time of the invention to combine these references as proposed. The Office Action merely states that "it would have been obvious to one having ordinary skill in the art at the time the invention was made to allow sellers computer and the buyer computer in *Schmidt* to automatically and without user input negotiate the contract, which would also include any updated versions." (27 January 2006 Office Action, Page 7). The Applicants respectfully disagree.

The Applicants further submit that this purported advantage relied on by the Examiner is nowhere disclosed, taught, or suggested in *Schmidt*, *Herz*, and *Maes*, either individually or in combination. The Examiner asserts that "one would have been motivated to including the automatic negotiation of the contracts between the seller computer and the buyer computer in order to reduce the cost of the procurement units as well as to reduce the time needed to obtain the items." (27 January 2006 Office Action, Page 7). The Applicants respectfully disagree. ***The Applicants respectfully request the examiner to point to the portions of Schmidt, Herz, and Maes which contain the teaching, suggestion, or motivation to combine these references for the Examiner's stated purported advantage***. The Applicants further submits that the Examiner is using the subject Application as a template to formulate reconstructive hindsight, which constitutes impermissible use of hindsight under 35 U.S.C. § 103(a).

A recent Federal Circuit case makes it crystal clear that, in an obviousness situation, the ***prior art must disclose each and every element of the claimed invention, and that any motivation to combine or modify the prior art must be based upon a suggestion in the prior art***. *In re Lee*, 61 U.S.P.Q.2d 1430 (Fed. Cir. 2002).

(Emphasis Added). Conclusory statements regarding common knowledge and common sense are insufficient to support a finding of obviousness. *Id.* at 1434-35. With respect to the subject Application, ***the Examiner has not adequately supported the selection and combination of Schmidt, Herz, and Maes to render obvious the Applicants claimed invention***. The Examiner's conclusory statement that "it would have been obvious to one having ordinary skill in the art at the time the invention was made to allow sellers computer and the buyer computer in *Schmidt* to automatically and without user input negotiate the contract, which would also include any updated versions" and "one would have been motivated to including the automatic negotiation of the contracts between the seller computer and the buyer computer in order to reduce the cost of the procurement units as well as to reduce the time needed to obtain the items", ***does not adequately address the issue of motivation to combine***. (27 January 2006 Office Action, Page 7). This factual question of motivation is material to patentability, and cannot be resolved on subjective belief and unknown authority. *Id.* It is improper, in determining whether a person of ordinary skill would have been led to this combination of references, simply to "[use] that which the inventor taught against its teacher." *W.L. Gore v. Garlock, Inc.*, 721 F.2d 1540 (Fed. Cir. 1983). Thus, ***the Office Action fails to provide proper motivation for combining the teachings of Schmidt, Herz, and Maes***, either individually or in combination.

The Proposed *Schmidt-Herz-Maes-Shepherd* Combination Fails to Disclose, Teach, or Suggest Various Limitations Recited in Applicants Claims

The Applicants respectfully submit that *Schmidt*, *Herz*, *Maes*, or *Shepherd* either individually or in combination, fail to disclose, teach, or suggest each and every element of claims 3, 4, 8-10, 12-14, 17, 18, 22-24, 26-28, 33, 34, 38-40, 43, 44, 47, 48, 52-54, 57-62, 65, 66, 70-72, 75-77, 80, 81, 85-87, 90, and 92. The Applicants further respectfully submit that ***new independent claims 95 and 96 have rendered moot the Examiner's rejection of claims 1-94 and the Examiner's arguments in support of the rejection of claims 1-94***. The Applicants further submit that new independent claims 95 and 96 in their current amended form contain unique and novel limitations that are not disclosed, suggested, or even hinted at in *Schmidt*, *Herz*, *Maes*, or *Shepherd*. Thus, the Applicants

respectfully traverse the Examiner's obvious rejection of claims 1-94 under 35 U.S.C. § 103(a) over the proposed combination of *Schmidt*, *Herz*, *Maes*, or *Shepherd*, either individually or in combination.

For example, with respect to new independent claim 95, this claim recites:

> ***A system for supply chain activity optimization involving multiple enterprises***, the system operable to:
>
> ***generate, at a buyer computer system, one or more proposed flexible trade contracts*** for at least one item using a forecasted demand received from a seller computer system and ***communicate the proposed flexible trade contract to the seller computer system to initiate an automatic collaborative negotiation***;
>
> ***receive*** the proposed flexible trade contract at the seller computer system ***and evaluate the proposed flexible trade contract to determine whether the proposed flexible trade contract is acceptable***;
>
> ***automatically subsequent to evaluating the proposed flexible trade contract at the seller computer system***, as part of the automatic collaborative negotiation:
>
> if the proposed flexible trade contract is acceptable, accept the proposed flexible trade contract; and
>
> if the proposed flexible trade contract is not acceptable, generate at least one modification of the proposed flexible trade contract and communicate the at least one modification to the buyer computer system;
>
> ***receive*** the at least one modification of the proposed flexible trade contract at the buyer computer system ***and evaluate the at least one modification to determine whether the modification is acceptable***:
>
> if the at least one modification of the proposed flexible trade contract is acceptable, accept the modified proposed flexible trade contract; and
>
> if the at least one modification of the proposed flexible trade contract is not acceptable, ***communicate with the seller computer system in a series of rounds in which the buyer computer system and the seller computer system successively propose one or more further counter-modifications of the proposed flexible trade contract for automatic evaluation and possible acceptance to create a flexible trade contract based on the proposed flexible trade contract***;
>
> subsequent to execution of a flexible trade contract created based on the proposed flexible trade contract as a result of the automatic collaborative negotiation, ***taking one or more actions to perform under the executed flexible trade contract***; and
>
> subsequent to execution of the flexible trade contract created based on the proposed flexible trade contract as a result of the automatic

> collaborative negotiation, ***taking one or more actions to enforce the executed flexible trade contract***. (Emphasis Added).

New independent claim 96 recites similar limitations. *Schmidt*, *Herz*, *Maes*, or *Shepherd* either individually or in combination, fail to disclose each and every limitation of new independent claims 95 and 96.

The Applicants respectfully submit that *Schmidt*, *Herz*, *Maes*, or *Shepherd* have nothing to do with new independent claim 95 limitations regarding a "***system for supply chain activity optimization involving multiple enterprises***" and in particular *Schmidt*, *Herz*, *Maes, or Shepherd* have nothing to do with new independent claim 95 limitations regarding "subsequent to execution of the flexible trade contract created based on the proposed flexible trade contract as a result of the automatic collaborative negotiation, ***taking one or more actions to enforce the executed flexible trade contract***."

In addition, the Applicants respectfully traverse the Examiner's assertions regarding the subject matter disclosed in *Shepherd*. The Applicants respectfully direct the Examiner's attention to the cited text of *Shepherd* which states:

> It is important that the assessments as to future outcomes of events are made ***independently of any other party*** who could be a counter-party to a contract. The nature of the pricing and matching, therefore, is ***totally different to conventional negotiation*** or bidding as between parties. (Column 3, Lines 59-64). (Emphasis Added).

The Applicants respectfully submit that the Examiner has mischaracterized the negotiation process of *Shepherd*. The above-cited text of *Shepherd* merely describes a process that excludes all other parties to a contract, made independently of any other party. In fact, *Shepherd* merely discloses a system that automatically secures agreement of stakeholders of an options contract seeking to trade the options contract. Thus, *Shepherd* cannot provide for a "***system for supply chain activity optimization involving multiple enterprises***" or "subsequent to execution of the flexible trade contract created based on the proposed flexible trade contract as a result of the automatic collaborative

negotiation, ***taking one or more actions to enforce the executed flexible trade contract***", as recited in new independent claim 95.

The Applicants respectfully submit that the Office Action has failed to properly establish a *prima facie* case of obviousness based on the proposed combination of *Schmidt*, *Herz*, *Maes*, and *Shepherd*, either individually or in combination. The Office Action has not shown the required teaching, suggestion, or motivation in these references or in knowledge generally available to those of ordinary skill in the art at the time of the invention to combine these references as proposed. The Office Action merely states that "***it would have been obvious to one having ordinary skill in the art at the time the invention was made to include such a step in the Schmidt, Herz, Maes, and Shepherd method***." (27 January 2006 Office Action, Pages 10-18). The Applicants respectfully disagree.

The Applicants further submit that this purported advantage relied on by the Examiner is nowhere disclosed, taught, or suggested in *Schmidt*, *Herz*, *Maes*, and *Shepherd*, either individually or in combination. The Examiner asserts that "***one would have been motivated to use such a step in order to minimize the risk***." (27 January 2006 Office Action, Pages 10-18). The Applicants respectfully disagree. ***The Applicants respectfully request the examiner to point to the portions of Schmidt, Herz, Maes, and Shepherd which contain the teaching, suggestion, or motivation to combine these references for the Examiner's stated purported advantage***. The Applicants further submit that the Examiner is using the subject Application as a template to formulate reconstructive hindsight, which constitutes impermissible use of hindsight under 35 U.S.C. § 103(a).

A recent Federal Circuit case makes it crystal clear that, in an obviousness situation, the ***prior art must disclose each and every element of the claimed invention, and that any motivation to combine or modify the prior art must be based upon a suggestion in the prior art***. *In re Lee*, 61 U.S.P.Q.2d 1430 (Fed. Cir. 2002). (Emphasis Added). Conclusory statements regarding common knowledge and common sense are insufficient to support a finding of obviousness. *Id.* at 1434-35. With respect to

the subject Application, ***the Examiner has not adequately supported the selection and combination of Schmidt, Herz, Maes, Shepherd to render obvious the Applicants claimed invention***. The Examiner's conclusory statement that "***it would have been obvious to one having ordinary skill in the art at the time the invention was made to include such a step in the Schmidt, Herz, Maes, and Shepherd method***" and "***one would have been motivated to use such a step in order to minimize the risk***", ***does not adequately address the issue of motivation to combine***. (27 January 2006 Office Action, Pages 10-18). This factual question of motivation is material to patentability, and cannot be resolved on subjective belief and unknown authority. *Id.* It is improper, in determining whether a person of ordinary skill would have been led to this combination of references, simply to "[use] that which the inventor taught against its teacher." *W.L. Gore v. Garlock, Inc.*, 721 F.2d 1540 (Fed. Cir. 1983). Thus, ***the Office Action fails to provide proper motivation for combining the teachings of Schmidt, Herz, Maes, and Shepherd***, either individually or in combination.

The Applicants Claims are Patentable over the Proposed *Schmidt-Herz-Maes-Shepherd* Combination

Amended independent claim 29 and 95, are considered patentably distinguishable over the proposed combination of *Schmidt*, *Herz*, *Maes*, and *Shepherd* for at least the reasons discussed above. With respect to amended independent claims 1, 15, 45, 63, 78, and 96 each of these claims includes limitations similar to those discussed above in connection with independent claims 29 and 95. Thus, amended independent claims 1, 15, 45, 63, 78, and 96 are considered patentably distinguishable over the proposed combination of *Schmidt*, *Herz*, *Maes*, and *Shepherd* for at least the reasons discussed above in connection with amended independent claims 29 and 95.

With respect to dependent claims 2, 5-7, 11, 16, 19-21, 25, 30-32, 35-37, 41, 42, 46, 49-51, 55, 56, 64, 67-69, 73, 74, 79, 82-84, 88, 89, and 91: claims 2, 5-7, and 11 depend from amended independent claim 1; claims 16, 19-21, and 25 depend from amended independent claim 15; claims 30-32, 35-37, 41, and 42 depend from amended independent claim 29; claims 46, 49-51, 55, and 56 depend from amended independent

claim 45; claims 64, 67-69, 73, and 74 depend from amended independent claim 63; and claims 79, 82-84, 88, 89, and 91 depend from amended independent claim 78. As mentioned above, each of amended independent claims 1, 15, 29, 45, 63, and 78 are considered patentably distinguishable over the proposed combination of *Schmidt*, *Herz*, *Maes*, and *Shepherd*. Thus, dependent claims 2, 5-7, 11, 15, 16, 19-21, 25, 29-32, 35-37, 41, 42, 45, 46, 49-51, 55, 56, 63, 64, 67-69, 73, 74, 78, 79, 82-84, 88, 89, and 91 are considered to be in condition for allowance for at least the reason of depending from an allowable claim.

With respect to dependent claims 3, 4, 8-10, 12-14, 17, 18, 22-24, 26-28, 33, 34, 38-40, 43, 44, 47, 48, 52-54, 57-62, 65, 66, 70-72, 75-77, 80, 81, 85-87, 90, and 92: claims 3, 4, 8-10, 12-14, and 60 depend from amended independent claim 1; claims 17, 18, 22-24, 26-28, and 60 depend from amended independent claim 15; claims 33, 34, 38-40, 43, 44, and 61 depend from amended independent claim 29; claims 47, 48, 52-54, 57, 58, and 62 depend from amended independent claim 45; claims 65, 66, 70-72, and 75-77 depend from amended independent claim 63; and claims 80, 81, 85-87, 90, and 92 depend from amended independent claim 78. As mentioned above, each of amended independent claims 1, 15, 29, 45, 63, 78, 93, and 94 are considered patentably distinguishable over the proposed combination of *Schmidt*, *Herz*, *Maes* and *Shepherd*. Thus, dependent claims 3, 4, 8-10, 12-14, 17, 18, 22-24, 26-28, 33, 34, 38-40, 43, 44, 47, 48, 52-54, 57-62, 65, 66, 70-72, 75-77, 80, 81, 85-87, 90, and 92 are considered to be in condition for allowance for at least the reason of depending from an allowable claim.

For at least the reasons set forth herein, the Applicants submit that claims 1-92, 95, and 96 are not rendered obvious by the proposed combination of *Schmidt*, *Herz*, *Maes*, and *Shepherd*. The Applicants further submit that claims 1-92, 95, and 96 are in condition for allowance. Thus, the Applicants respectfully request that the rejection of claims 1-92 under 35 U.S.C. § 103(a) be reconsidered and that claims 1-92, 95, and 96 be allowed.

THE LEGAL STANDARD FOR OBVIOUSNESS REJECTIONS UNDER 35 U.S.C. § 103:

To establish a *prima facie* case of obviousness, three basic criteria must be met. First, ***there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings***. Second, there must be a reasonable expectation of success. Finally, ***the prior art reference*** (or references when combined) ***must teach or suggest all the claim limitations***. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, ***and not based on applicant's disclosure***. *In re Vaeck*, 947 F.2d 488, 20 U.S.P.Q.2d 1438 (Fed. Cir. 1991); M.P.E.P. § 2142. Moreover, all the claim limitations must be taught or suggested by the prior art. *In re Royka*, 490 F.2d 981, 180 U.S.P.Q. 580 (CCPA 1974). If an independent claim is nonobvious under 35 U.S.C. § 103, then any claim depending therefrom is nonobvious. *In re Fine*, 837 F.2d 1071, 5 U.S.P.Q.2d 1596 (Fed. Cir. 1988); M.P.E.P. § 2143.03.

With respect to alleged obviousness, ***there must be something in the prior art as a whole to suggest the desirability***, and thus the obviousness, of making the combination. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561 (Fed. Cir. 1986). In fact, the absence of a suggestion to combine is dispositive in an obviousness determination. *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573 (Fed. Cir. 1997). The mere fact that the prior art can be combined or modified does not make the resultant combination obvious unless the prior art also suggests the desirability of the combination. *In re Mills*, 916 F.2d 680, 16 U.S.P.Q.2d 1430 (Fed. Cir. 1990); M.P.E.P. § 2143.01. The consistent criterion for determining obviousness is whether the prior art would have suggested to one of ordinary skill in the art that the process should be carried out and would have a reasonable likelihood of success, viewed in the light of the prior art. Both the suggestion and the expectation of success must be founded in the prior art, not in the Applicant's disclosure. *In re Vaeck*, 947 F.2d 488, 20 U.S.P.Q.2d 1438 (Fed. Cir. 1991; *In re O'Farrell*, 853 F.2d 894 (Fed. Cir. 1988); M.P.E.P. § 2142.

A recent Federal Circuit case makes it clear that, in an obviousness situation, the prior art must disclose each and every element of the claimed invention, and that any motivation to combine or modify the prior art must be based upon a suggestion in the prior art. *In re Lee*, 61 U.S.P.Q.2d 1430 (Fed. Cir. 2002). Conclusory statements regarding common knowledge and common sense are insufficient to support a finding of obviousness. *Id.* at 1434-35.

CONCLUSION:

In view of the foregoing amendments and remarks, this application is considered to be in condition for allowance, and early reconsideration and a Notice of Allowance are earnestly solicited.

Although Applicants believe no fees are deemed to be necessary; the undersigned hereby authorizes the Director to charge any additional fees which may be required, or credit any overpayments, to **Deposit Account No. 500777**.

Please link this application to Customer No. 53184 so that its status may be checked via the PAIR System.

Respectfully submitted,

3/24/06
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